

State/Territory: California

State Methodology on Cost-Effectiveness of Employer-Based
Group Health Plans

- I. The methodology used by California for determining cost-effectiveness of paying private or employer related health insurance premiums for existing coverage shall be as follows:
- A. Any Medi-Cal beneficiary with an Acquired Immune Deficiency Syndrome (AIDS) or pregnancy diagnosis is deemed to meet the cost-effectiveness criteria for the Health Insurance Premium Payment (HIPP) or Employer Group Health Plan (EGHP) Program.
 - B. If A is not applicable, then the following steps are used to determine cost-effectiveness:
 - Step 1** Use the insurance carrier Explanation of Benefits for the six months prior to determination, to identify insurance payments made for health care services provided to the individual and/or family.
 - Step 2** Calculate the amount Medi-Cal would pay for the same services (if there were no insurance) by multiplying the billed amount x .78. Average the costs to estimate a monthly Medi-Cal expenditure for services. Deduct the individual's and/or family's Share of Cost (SOC) from the estimated monthly Medi-Cal expenditure for services to obtain a net estimated monthly Medi-Cal expenditure amount.
 - Step 3** Calculate the total monthly cost if Medi-Cal were to pay the health insurance premiums and cost sharing.
 - Step 4** Determine the cost-effectiveness to Medi-Cal by dividing the monthly premiums and cost sharing total (step 3) into the net estimated monthly Medi-Cal expenditure amount (step 2).
 - Step 5** If the result is two or more, it is cost-effective to pay the premiums for an individual and/or family.

NOTE: • If there is no additional cost to the premium, the HIPP/EGHP Programs will enroll additional family members, who are not cost-effective, into the health plan.

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- II. The methodology used by California for determining cost-effectiveness of purchasing available employer related health insurance shall be as follows:
- A. Any Medi-Cal beneficiary with an AIDS or pregnancy diagnosis is deemed to meet the cost-effectiveness criteria for the EGHP Program.
- B. If A is not applicable, then the following steps are used to determine cost-effectiveness:
- Step 1** Obtain Claim Detail Reports for the six months prior to determination, to identify Medi-Cal reimbursement payments for health care services provided to the individual and/or family. (If Claim Detail Reports are not available, obtain estimated medical costs for future occurrences from the individual's and/or family's physician(s).)
- Step 2** **Using Claim Detail Reports:** Total the Medi-Cal payments made in the six months prior to determination. Average the costs to determine an estimated monthly Medi-Cal expenditure. Deduct the individual's and/or family's SOC from this amount.
- Using estimated medical costs for future occurrences:** Calculate the amount Medi-Cal would pay for the same services by multiplying the estimated medical cost x .78. Average the costs to estimate a monthly Medi-Cal expenditure for services. Deduct the individual's and/or family's SOC from the estimated monthly Medi-Cal expenditure for services to obtain a net estimated monthly Medi-Cal expenditure amount.
- Step 3** Calculate the total monthly cost if Medi-Cal were to pay the health insurance premiums and cost sharing.
- Step 4** Determine the cost-effectiveness to Medi-Cal by dividing the monthly premium and cost sharing total (step 3) into the net estimated monthly Medi-Cal expenditure amount (step 2).

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Step 5 If the result is two or more, it is cost-effective to pay the premiums for an individual and/or family.

- NOTE:
- If there is no additional cost to the premium, the HIPPE/EGHP Program will enroll additional family members, who are not cost-effective, into the health plan.
 - The EGHP Program will pay the employer group health insurance premiums for a person who is not eligible for Medi-Cal if that person must be enrolled in the employer's health plan in order to enroll the family members who are eligible for Medi-Cal in the plan. In determining cost-effectiveness, the entire cost of the premium will be calculated against the estimated medical costs associated with the Medi-Cal eligible beneficiaries.

- III. Purchasing or paying for health insurance coverage is deemed as NOT being cost-effective when:
- A. Medicare coverage exists (except when it is still cost-effective to purchase or pay for the private or employer related health insurance due to coverage of drugs).
 - B. Medi-Cal SOC exceeds \$200.
 - C. A Medi-Cal beneficiary is enrolled in a Medi-Cal related prepaid health plan, County Health Initiative, Geographic Managed Care, the County Medical Services Program or the insurance is provided through the Major Risk Medical Insurance Board.
 - D. An absent parent has been ordered by the court to provide medical support.